

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) For Authority to, Among Other Things, Increase Its Authorized Revenues For Electric Service in 2006, and to Reflect that Increase in Rates.

Application 04-12-014
(Filed December 21, 2004)

Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service and Facilities of Southern California Edison Company.

Investigation 05-05-024
(Filed May 26, 2005)

ADMINISTRATIVE LAW JUDGE'S RULING DENYING SAN DIEGO GAS & ELECTRIC COMPANY'S MOTION TO STRIKE PORTIONS OF SOUTHERN CALIFORNIA EDISON COMPANY'S REBUTTAL TESTIMONY

Background

On July 8, 2005,¹ San Diego Gas & Electric Company (SDG&E) filed a motion to strike portions of Southern California Edison Company's (SCE) July 6th rebuttal testimony that was filed in response to SDG&E's June 24th errata testimony. Both the errata and rebuttal concern the prepared testimony of Dr. Mark N. Lowry, SDG&E's witness on "The Cost Performance of SCE in Nuclear Power Generation." In addressing the efficiency of SCE in managing the incremental non-fuel cost of the San Onofre Nuclear Generating Station,

¹ All dates are for the year 2005.

Dr. Lowry employed an econometric benchmarking method. Guided by economic theory, a mathematical model was developed in which incremental nuclear costs are a function of quantifiable business conditions. The testimony was served on May 6th with errata versions served on May 23rd and June 24th.

SCE served rebuttal testimony to the errata versions of Dr. Lowry's testimony on May 31st and July 6th. In the July 6th rebuttal, Dr. Paul T. Hunt included, as part of his model analysis, a California performance based ratemaking "dummy" or binary variable labeled "pbrcal." SDG&E asserts that the portions of the July 6th rebuttal testimony related to pbrcal are beyond the scope of proper rebuttal testimony to Dr. Lowry's June 24th errata and requests they be stricken.

SDG&E states that, in his June 24th errata, Dr. Lowry attempted to produce a new model that preserved as best as possible the spirit of the previous model, but, in contrast, Dr. Hunt introduced a novel business condition and a novel test of ICIP cost impact that is not proper rebuttal to the June 24th errata. According to SDG&E, this testimony would instead have been proper rebuttal to Dr. Lowry's May 23rd errata.

In its July 11th response to the motion, SCE states its supplemental rebuttal testimony is entirely appropriate, involves fewer changes to SDG&E's benchmarking study than SDG&E's second revised errata, served June 24th, and provides the Commission with a clearer record upon which to base any decision concerning SDG&E's benchmarking study.

On July 12th, SDG&E replied to SCE's response and stated that rebuttal is proper only if Dr. Hunt is responding to Dr. Lowry's June 24th errata. SDG&E asserts the inclusion of the pbrcal variable is not appropriate because Dr. Lowry's June 24th errata did not use this variable in the model or form of cost function.

From the filings, it appears that the pbrcal variable was not included in either Dr. Lowry's May 6th testimony or his May 23rd errata testimony. It was first included in the economic program code as part of Dr. Lowry's June 24th errata. However, it was not discussed in the June 24th errata testimony as one of those business conditions that should be taken into account as having any econometric effect on Dr. Lowry's benchmarking results.

SDG&E indicates that data for the pbrcal variable were included in Dr. Lowry's workpapers given to SCE in response to Data Request SCE-SDGE-01 on May 17, 2005, since that request asked for data on any variable that had been considered in model development and not just those that actually appeared in the model. Also, in response to SCE-SDGE-10, Dr. Lowry indicated that the pbrcal variable has no place in a benchmarking model and that the parameter estimate was not statistically significant.

Discussion

SDG&E has changed its model twice since submitting its May 6th testimony.² In its rebuttal testimonies, SCE has both times presented a modified version of SDG&E's model for the Commission's consideration. SDG&E argues that inclusion of pbrcal in SCE's July 6th responsive model goes beyond proper rebuttal, because SDG&E did not include this variable in its June 24th model or

² SDG&E's June 24th errata version of the benchmarking study: (1) corrected the calculation of its labor price index and (2) replaced its previous acreage variable with a new acreage variable that corrected data errors and incorporated an ownership adjustment. In conjunction with these data changes, the revised benchmarking study had a modified econometric cost equation that added three new variables associated with translogging the plant age variable and replacing the retired-capacity variable with the redesigned acreage variable. (July 6th supplemental rebuttal testimony, pages 1-2)

form of cost function. SDG&E argues that the proper time for SCE to have included the pbrcal variable was in its May 31st rebuttal. However, while SDG&E did not include the pbrcal variable in its model as reflected in its June 24th errata, it did change other variables and, as a result, changed the model. As part of its June 24th errata SDG&E also, for the first time, included pbrcal in its economic program code.

Since SDG&E has changed the model, SCE should be allowed to consider it anew and to provide responsive testimony. Rather than restricting SCE's rebuttal to reflect only its May 31st analysis in conjunction with SDG&E's June 24th errata changes, in this case, it is reasonable to allow SCE to take a fresh look at the situation. This is a consequence of SDG&E first being allowed to modify its model through the June 24th errata. On June 28th, SCE had moved to strike that testimony. In Dr. Hunt's declaration attached to SCE's motion, he stated the three new variables that Dr. Lowry created in the computer model result in effectively an entire new computer model. While the motion to strike was denied, SCE was allowed to file supplemental rebuttal to address the changed variables or changed model. Even though SCE chose not to include the pbrcal variable in its May 31st analysis due to the changed circumstances, it should not be precluded from doing so at this time. SDG&E's motion to strike should be denied. The merits of the inclusion of the pbrcal variable can be addressed in the cross examination of Dr. Hunt and in briefs.

IT IS RULED that the July 8, 2005 motion of San Diego Gas & Electric Company to strike portions of Southern California Edison Company's July 6, 2005 rebuttal testimony is denied.

Dated July 13, 2005, at San Francisco, California.

/s/ DAVID K. FUKUTOME

David K. Fukutome
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail, to the parties for whom an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Denying San Diego Gas & Electric Company's Motion to Strike Portions of Southern California Edison Company's Rebuttal Testimony on all parties of record in this proceeding or their attorneys of record.

Dated July 13, 2005, at San Francisco, California.

/s/ ELIZABETH LEWIS
Elizabeth Lewis

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